

Washington Horse Racing Commission
Meeting Minutes
October 13, 2011

The meeting convened at 9:30 A.M. at the Auburn City Council Chambers, Auburn, Washington. Present were: Paul George, Chairman; Jeff Colliton, Commissioner; Dr. Bud Hallowell, Commissioner; Charles Clark, Assistant Attorney General; Robert J. Lopez, Executive Secretary; Patty Sorby, Confidential Secretary. Senator Steve Hobbs, Ex-officio member.

Item #1. Approval of the meeting minutes of September 9, 2011.

Commissioner Hallowell moved to approve the September 9, 2011 minutes as submitted. Commissioner Colliton seconded the motion. Unanimously approved.

Item #2. Commissioners' report.

Chairman George said he had nothing to report.

Commissioner Colliton said he'd met with the Class C racing associations and will comment on that meeting under Item #8 later in the meeting.

Commissioner Hallowell said he'd attended the jointly sponsored Washington Horse Racing Commission/Oregon Racing Commission Continuing Ed seminar on September 19 for the medication discussion. He said he was surprised at the statement from Dr. Scott Stanley, Ph.D, U of California, Davis, when he said that Lasix will be a thing of the past. Commissioner Hallowell disagreed with him and was surprised to hear him say that. Commissioner Hallowell said he had attended the Emerald Downs' races right through to the end of the meet. He said a lot of good races were contested, some big fields, he also mentioned the winner of the Gottstein futurity was a maiden filly.

- i. Symposium on racing and gaming December 5-8, 2011.
- ii. RCI Conference December 8 & 9, 2011.

Mr. Lopez said the Symposium on Gaming is scheduled for December 5-8 and the RCI Conference is December 8 & 9. Mr. Lopez said the projected costs for one commissioner to attend the symposium and one member of the staff to attend the RCI conference would cost about \$3500. A majority vote of the commission is needed to approve out-of-state travel.

Commissioner Colliton move to nominate Chairman George to attend and one WHRC staff member the Executive Secretary or the Deputy Secretary to attend. Commissioner Hallowell seconded the motion. Unanimously approved.

Item #3. Industry reports:

a. Emerald Downs.

Mr. Ron Crockett, President, NW Racing Associates gave the report for Emerald Downs. Mr. Crockett handed out copies of recaps of the handle at the meets' end showing a comparison of 2011 with 2010. He said at the end of meet the report shows overall (pari-mutuel wagering and selling) to be down 1.1%. He said attendance continued to be up, but the per capita wagering was less. Satellites are up due to closing some of the less profitable sites. Selling of the Emerald Downs signal was up 3%.

Mr. Crockett said the 2011 meet was very similar to the 2010 meet and purses mirrored last year. The advance deposit wagering (ADW) was generally flat which continues to be strong. Mr. Crockett said there is no question the economy is a factor, people have less dollars. He said that Portland Meadows is planning to run a summer meet overlapping Emerald Downs. Mr. Crockett also said that he was considering not competing with football next year. He said that after football began Emerald Downs took a significant hit.

b. WHBPA.

Mr. Ron Maus, President Washington HBPA, presented the HBPA report. He said his end of meet message hasn't gone out and would have it out in the next day or two. Mr. Maus said he'd read the Steward's end of meet report and wanted to comment on rulings about licensees being assessed a fine for late payment on L&I premiums. He felt there should be a rule of "reason" regarding fining for late payment rather than just blindly following the rules. Mr. Maus said the level of cooperation between management and racetrack couldn't have been better. He has some ideas that he wants to present to Mr. Crockett for next year.

c. WTBOA.

Ms. Anne Sweet, Editor, WTBOA, presented the report for Mr. Dana Halvorson, President, who was unable to attend. She said she had nothing in particular to report, they were still wrapping up the sale. She said the sales have been generally stronger lately. She stated the Board is trying to come up with ideas as well to turn things around.

Commissioner Hallowell asked about promotional things, how did those do?

Ms. Sweet said they had an incentive of \$1,000 bonus at the sale and a portion of the sale went to a purse for an allowance race. There were seven entries and unfortunately three scratched at gate which was disastrous. They are anticipating the ability to recreate these for the next year. She said they have about \$7000 in the currently, but will have to see how things go. Ms. Sweet said it was well received.

Chairman George said he enjoys receiving the newsletters and hopes this can be continued.

Commissioner Colliton said he'd asked Mr. Halvorson at the last meeting if anyone participated from Spokane/Eastern Washington in the sale. Commissioner Colliton said he tried to talk to

those in the business in Eastern Washington and asked if there was any way to get in touch with them to market those folks to get them back into the business. Ms. Sweet said the Board would be meeting the next week and said she will introduce this topic to them.

Item #4. Advance Deposit Wagering – XpressBet’s Annual License Renewal.

Mr. Lopez presented the license renewal application on behalf of XpressBet. Mr. Gene Chabrier, of XpressBet was also in attendance. Mr. Lopez said there was a change to the Plan of Operation and those have been outlined in handout. There have been no complaints or governmental actions regarding XpressBet’s operations discovered. Staff recommends approval of the license renewal.

Mr. Chabrier thanked WHRC for their continued support and allowing continued operations in Washington. He said that Magna did go through an ownership change and said Mr. Frank Stronach is still in control of the group. The company had been divided equally in quarters within the Stronach family. Mr. Chabrier said that the racing and breeding operation had moved to a separate company outside the MI Development Group and is now under the Stronach Group. Officers and directors are all same.

Chairman George asked if the economy was substantially affecting the business. Mr. Chabrier said that ADW is flat but XpressBet is moving up and growing and is in better shape than last year, recalling the problems with the use of credit cards, those issues are now resolved; the signal issues have also been resolved. Mr. Chabrier said wagering is up ten percent overall in Washington. Wagering is up 29% on Emerald Downs races.

Commissioner Colliton moved to approve the license renewal for XpressBet. Commissioner Hallowell seconded the motion. Unanimously approved.

Commissioner Hallowell commented on the amount the horsemen receive on ADW wagering. He felt the horsemen weren’t receiving their fair share and have no control over what the horsemen receives from the ADW.

Mr. Crockett said there was nothing that could be done. Certain tracks can charge whatever host fees they wish and there is little a track like Emerald Downs can do about it.

Item #5. Meeting dates for 2012.

Mr. Lopez presented two options: option one was a Thursday/Friday schedule similar to 2011 and option two was to change the meetings to all Friday’s for 2012.

Commissioner Colliton moved to approve option two to have all meeting on Fridays in 2012 with no meetings scheduled for May, July, December. Commissioner Hallowell seconded the motion. Unanimously approved.

Senator Steve Hobbs arrived at the meeting.

Break. 10:59A.M. Reconvened 11:09 A.M.

Item #6. End of the Meet Reports:

a. Stewards' End of the Meet Report.

Mr. Ken Doll, Presiding Steward, presented the end of meet report to the Commission. Mr. Doll reported on a situation regarding the lighting system malfunctioning resulting in a cancelled race and an altered post time at the track.

Mr. Jack Hodge, VP, Emerald Downs commented on the situation and said the electricians are coming back now that the meet has concluded. Mr. Hodge stated this is a huge issue with all the miles of wiring, to locate the short in the main.

Mr. Doll spoke regarding closing of the race track for training on Tuesdays. He said Emerald Downs simulcast the signal into the kitchen and this kept the kitchen open and it worked out quite well. Quarter Horse races were enjoyed by everyone. The only disappointment was that only 18 races were conducted, there is hope to hold more next year. A couple of malfunctions in the timing system resulted in a couple of lost race times, but were able to hand time them. The system will be fully looked at during the off-season. Mr. Doll complimented the Emerald Downs Race Office crew and said they really did a good job. A few L&I problems regarding premiums were noted and resulted in some fines being issued. Mr. Doll thanked the WHRC staff, Emerald Downs staff and the horsemen for all their hard work and cooperation.

b. Equine Health and Safety Report.

Dr. Sally Calkins DVM, WHRC, presented the report for 2011. Dr. Calkins said five rulings regarding medication at Emerald Downs were given for 2011 and there were zero rulings at the Class C tracks. There were twenty-five fatalities overall with 4,898 starters. Dr. Calkins said no action was taken regarding staff recommendations made in 2009 and 2010. The recommendations for 2011 are: Participate in industry task force; Remind trainers to keep history on their horses over the winter; and Adopt model rules for equine medication including lowering phenylbutazone to 2 mg/ml.

Commissioner George asked about the four overages. He also asked about pre-race exams, he asked Dr. Calkins if she took the word of the vet what level of Bute was given. Dr. Calkins said she can't check in the mornings. But when results are back from the lab, she then determines overages. Dr. Calkins said fifty percent of those tests were 4.9 mg/ml, but she said they may have been way over five during the morning check. There is never a problem with graded stakes horses.

MaryAnn O'Connell, Executive Director WA HBPA said this is a huge topic of discussion and her Board would back up the reduction to 2mg/ml when the science backs up the need to lowering the levels. She said she looks forward to discussions on this in the near future.

Item #7. Rules of Racing – Update on Pending Rulemaking.

Mr. Doug Moore, Deputy Secretary, briefed the Commission on rule amendments that may be brought to the Commission in January and February. Mr. Moore said some of the rules that will be brought before the Commission are amending to give the Executive Secretary the ability to make decisions that are currently relegated to be brought before the full Commission for decision. Any decisions made by the Executive Secretary would then be brought before the Commission for full approval at the next scheduled meeting. Other rule amendments are: allowing jockeys the ability to own horses; apprentice jockeys be allowed to waive apprentice weight for certain races; amending rules that would give the stewards more discretion to allow a license for certain felony crimes; amend eligibility rules for horses that win at Class Cs meets to count at a Class A or B track; amending medication rules threshold for phenylbutazone for graded stakes only; amend classification guidelines to reflect most current information from ARCI.

Item #8. Class C Racing 2012 – Purse Account.

Mr. Lopez presented information received from a recently sent letter asking the Class C racing associations their view on how to disburse the Class C purse money. Mr. Lopez said that Sun Downs had asked for 6 days of racing utilizing the entire purse funds. Walla Walla, Waitsburg and Dayton requested to split the Class C purse funds four ways, allowing all entities the ability to hold a race meet in 2012.

Commissioner Colliton said he had met with Cory Hewitt, Walla Walla Fair & Frontier Days, and representatives of Waitsburg Days of Real Sport and Dayton Days regarding this issue with the clear understanding that no decision would be made and that he would pass their recommendations on at the next meeting of the Commission. The horsemen also sent letters addressing the same concerns. He was asked if the Commission could grant days in November, so they could campaign to fund their respective meets. He was also asked if the funds could be broken down in four equal parts and if that's not possible, could the funds be broken down by twelve days in equal amounts. The associations also asked what the costs would be for Commission regulation of their meets.

Mr. Lopez responded that regulation costs are about \$3710 per day.

Commissioner Colliton said they also asked what it would take to send signal to satellites. They asked about the takeout, where the money went when Commission used to receive 5 percent and now is 1.3 percent. They asked if license fees could be the same for 2012 as in 2011, or reduced due to economic conditions. Commissioner Colliton said those were the most important items he wanted placed on the record.

Mr. Lopez responded that he thought the Commission could grant race days in November, if each association could submit a full application to be evaluated by the November meeting. He could not be definitive regarding how much purse money would be available in 2012. Currently

there is approximately \$76,000 in the purse account. However because the purse account is based on calendar year earnings, additional funding will be generated from the daily gross receipts for October, November and December 2011.

Mr. Lopez said there the current purse account (\$76,000) already includes monies left from last year including interest on the Class C purse account. Mr. Lopez estimates that the funds, at the end of the calendar year will amount to \$88,000 to \$90,000.

As to costs per day, Mr. Lopez said he would use the same costs for Sun Downs last year; approximately \$3,700 per day. This assumes the same level of staffing from the commission and the racing associations understanding that the racing association must cover the costs of the photo finish and video patrol. Mr. Lopez said the WHRC is working to reduce staff further. The regulatory staff working at the Class C meets are represented by the Washington Federation of State Employees (WFSE) union employees and therefore the WHRC must negotiate the effects of cutting bargaining unit positions before any further cuts can be made.

Regarding the Class C's obtaining authority to simulcast their signal, this would need legislative approval. Mr. Lopez also cautioned that they also consider the cost/benefit of having to obtain the equipment necessary to broadcast the races to satellite locations.

As for a takeout change, this also needs a legislative change. As to the history of the pari-mutuel tax in 1979, when Longacres was in full swing, this was before exotics, the WHRC received 5% Longacres received 10% for a total of 16 percent takeout.

Chairman George said we can repeat as we did last year funding only Sun Downs, to maintain pari-mutuel horse racing in EA Washington. The other tracks Walla Walla, Waitsburg and Dayton have to be more realistic with expenses. If we maintain horse racing it can only occur at Sun Downs. The WHRC can afford approximately \$90,000; Sun Downs can have a viable meet. The Quarter Horse racing industry is at the Tri Cities race track. It isn't in the cards to do other than that. Walla Walla, Waitsburg and Dayton don't know what it will cost to run. Those associations can still race horses, but run lower purses than what they have had, and no pari-mutuel betting races. Mr. George made it clear that these were his own opinions and comments and the commission has yet to make a decision on this issue.

Commissioner Colliton said again there's no decision to be made today.

Mr. Lopez will pass on to Walla Walla, Waitsburg and Dayton they have not provided adequate information to allow for any other decision than a six day meet at Sun Downs. The WHRC will consider and grant days on February 10, 2012.

Commissioner Hallowell said he hadn't seen anything that has changed to make any other decision than grant days to Sun Downs.

Mr. Cliff Schellinger, President, Tri City Horse Racing Association said that he really hates this situation. Walla Walla, Waitsburg and Dayton have been so supportive. Shorty Martin asked

about the \$150,000, if we hadn't given up that, there wouldn't have been racing, at all, in Eastern Washington.

Item #9. Executive Secretary's report:

- a. Report on 2011 WA-bred Owners' Bonus and Breeder Awards.

Mr. Lopez said the owners' bonus and the breeder awards will go out in November.

- b. Result of the "Last Chance Tournament" handicapping contests.

Mr. Lopez provided a breakdown sheet of the results of the handicapping tournament.

- c. RCI Drug Testing Standards & Practices (DTSP) Committee.

Mr. Lopez participated in a conference call and reported that race day medication was discussed; who will pay additional costs; horsemen will probably be charged for testing. Included in the Commission packets were copies of the Jockey Club set of medication rules. They want to move to two categories; controlled therapeutic medications and prohibited medications. A new penalty system was proposed, using a point system. All drug testing labs were to be accredited. Reciprocity with each jurisdiction regarding penalties. The Jockey Club wants to come to Washington and present this issue.

Ms. O'Connell said to proceed with great caution. The driving force on medications by the Jockey Club is that it is not their position. They are trying to circumvent the horsemen, but she also believes they have a hidden agenda behind this. Ms. O'Connell urged the WHRC to please use caution.

Commissioner Hallowell was dumbfounded about the Jockey Club being in this business to begin with. He was under the impression their job was to verify parentage on horses; it has nothing whatsoever to do with medication. They have no business rendering an opinion on this.

- d. Racing Regulatory Compact.

Mr. Lopez said Mr. Ed Martin of the Association of Racing Commissioners International (ARCI) is willing to come to Washington and suggested he attend a meeting in March or April to talk to the Commission about the Racing Regulatory Compact. Mr. Lopez said he could answer questions that many people have regarding the Compact.

Commissioner Colliton said Mr. Martin would be at the Symposium and that might be a good time to talk with him about coming and making a presentation.

Commissioner Hallowell said Mr. Martin has an interest in medications and he would be inclined to listen to him.

e. Wagering recap.

Mr. Lopez said wagering is down 11.9%, this figure differs from Mr. Crockett's figures because we do not including selling in our figures.

f. Monthly Financial Statement.

Mr. Lopez explained the revenues and expenditures and reported the fund balance to be \$490,255. Preliminary numbers show the fund balance at just under \$500,000 at this time, for next month.

Item #10. Any other business that may be properly brought before the Commission.

Chairman George noted that in reviewing the annual Performance Development Plan for the stewards that steward, Amanda Benton is bi-lingual; speaks Spanish. He thought that was an excellent asset, to have her on staff.

Meeting adjourned. 12:45 P.M.

Robert J. Lopez, Executive Secretary